

The University of Dublin

Trinity College

Minutes of Audit Committee, Wednesday 13 January 2010

*Present* Mr J Collins (Chairman), Professor J McGilp, Professor J O'Hagan, Professor B McGing, Mr P O'Reilly

*(ex officio)* Internal Auditor (secretary), Secretary to the College

*In Attendance* Ms M Thompson

The Interim Chief Operating Officer and the Vice-Provost/Chief Academic Officer attended for item AD/09-10/39

Mr S James, Assistant Internal Auditor attended for item AD/09-10/41

The Treasurer and Financial Accountant attended for item AD/09-10/37 (part)

Ms L Gallagher and Mr R Hobson, KPMG attend for item AD/09-10/37 (part)

(Items of specific interest to the Board are denoted XXX)

**AD/09-10/34 Minutes** The Minutes of the meeting held on 30 November 2009 were approved and signed.

**AD/09-10/35 Call-over** The Committee noted the actions which had been implemented since the previous meeting and those that remained outstanding.

Actions:

35.1 The Committee agreed that the issue of an additional external Committee member would be examined at the next meeting as part of the Committee's self-evaluation process and the Chairman reminded members to submit suggestions.

35.2 In response to a query on procedures for bank transfer of funds, it was agreed that the recent letter from the Treasurer to the bank on such transfers would be circulated to the Committee.

**AD/09-10/36 Matter Arising** There were no matters arising.

**SECTION A - POLICY ISSUES**

**AD/09-10/37 Consideration of Funding Statements for 2008/2009**  
**XXX** Ms Gallagher and Mr Hobson of KPMG advised that the audit had proceeded very efficiently and according to plan and that there had been very good support and cooperation from the Treasurer's Office throughout.

The Chairman then invited the Treasurer and the Financial Accountant to join the meeting and drew the Committee's attention to the following documents, which had been circulated for consideration:

- a) Memorandum from the Treasurer dated 18 December 2009
- b) Funding Statements for the year end 30 September 2009
- c) Funding Statements - Additional Information for the year ended 30 September 2009
- d) Draft Letter of Representation to KPMG
- e) Report from KPMG

The Treasurer invited the Committee's attention to his memorandum, dated 18 December 2009 in relation to the Funding Statements for the year ended 30 September 2009, which had been circulated. He also drew the Committee's attention to two tabled documents: a presentation on the Funding Statements in which he summarised key trends and the draft minute of the Finance Committee meeting which approved the Funding Statements.

The Treasurer updated the Committee on the financial performance for the year, which resulted in the elimination of the accumulated recurrent deficit and advised that the Income Statement reflected the following:

- Planned expenditure savings target of €8m to address a reduction in State funding of €7m
- Contingency provision not required of €3m
- Release to income of €18.7m of the FTWA provision
- Additional income and lower expenditure than projected
- Transfer to capital of €13m

The Treasurer also provided the Committee with details of the total income and expenditure, key figures from the Balance Sheet and highlighted the significant capital projects currently in progress as well as planned.

In regard to research, the Treasurer highlighted the following key points:

- The achievement of the strategic goal of €100m in research income
- Research income, expenditure and overheads over a 10 year period analysed by source and noting the trends

The Treasurer advised of key risks facing research funding including the increase in the number and complexity of sponsor audits and more onerous terms and conditions associated with alternative research funding sources.

The Treasurer briefed the Committee on the expected financial outturn in 2010 and the challenges facing the College in the current economic climate. He emphasised the requirement to maintain financial flexibility and the fundamental financial priorities required to underpin the College's next Strategic Plan 2009-2014.

In response to a query on the EIB loan, the Treasurer briefly summarised the background and the terms of the loan. The Committee, noting risks associated with the loan, requested the Treasurer to draft a paper on this matter for consideration at the next meeting.

Ms Gallagher inviting the Committee's attention to the Report from KPMG, advised the Committee that the audit was now complete and that they were satisfied that it was conducted in accordance with the Plan as presented to a previous Audit Committee meeting. Ms Gallagher advised that an unqualified audit report would be issued, subject to consideration and approval by Board of the Funding Statements and receipt of the letter of representation and other confirmations. Ms Gallagher advised that there are no audit issues of concern to be brought to the attention of the Committee and no material control weaknesses were identified by the audit. She also advised that there were no adjusted differences, which impacted on the Income and Expenditure Account and that there were no unadjusted audit differences.

In response to a query, Ms Gallagher advised the Committee that as part of the regular audit process a specialist team examines IT issues but that given the large expenditure that will be incurred on planned future systems they

had also included in the appendix to their report some general observations to be considered, both in planning for projects and for IT governance generally. She advised that it is important the groundwork is done well and that processes are in place to highlight problems at an early stage and facilitate monitoring of progress. She drew the Committee's attention to observations made on IT governance issues, e-strategy, and on breaking down e-strategy into sub-components with clear deliverables, goals, plans and ownership as well the need for prioritisation in view of the significant funding that would be required. She advised that KPMG met the Interim Chief Operating Officer and the Vice-Provost/Chief Academic Officer who were aware of the issues raised and that they had agreed to take the KPMG observations into consideration as matters are progressed. The Chairman emphasised the importance of IT issues and their associated risks to the College and welcomed the observations made in the report. The Committee agreed that the Internal Auditor should include in the work plan a review of the plans for e-strategy and related projects in the light of the observations on good practice that were outlined in the report.

In response to a query on College systems to monitor implementation of external and internal audit recommendations, the Treasurer advised that a control exception report is produced twice a year that includes a section dealing with audit recommendations. The Internal Auditor also advised that he had recently conducted a review of all audit recommendations, taking account of the control exception report and that the results would be presented to the Committee in due course.

In response to a query, Ms Gallagher clarified a number of other issues in the KPMG report and advised that a final report would be issued to reflect the discussion.

Following a detailed discussion in which the Treasurer responded to a number of queries, the Committee agreed that the Funding Statements, together with the letter of representation, should be recommended to Board for consideration and approval.

The Chairman thanked KPMG for their work before they withdrew.

The Treasurer confirmed that the audit had proceeded well and that the external audit team had been appropriately staffed.

The Chairman thanked the Treasurer and the Financial Accountant for attending the meeting and their contribution to the discussions. Following a further discussion on the conduct of the audit the Committee expressed satisfaction with the performance of the external auditors and the execution of the audit.

Actions:

- 37.1 The 2008/2009 Funding Statements and accompanying documentation to be forwarded to Board for consideration and approval.
- 37.2 The Internal Auditor to liaise with KPMG to obtain their final report as discussed.
- 37.3 The Treasurer to provide a paper on the EIB loan, the terms and covenants and on loan approval procedures for the next meeting of the Committee.
- 37.4 The Internal Auditor to engage with Interim Chief Operating Officer on e-strategy and to include a review in the audit work plan.
- 37.5 The Internal Auditor to present the results of a review of the implementation status of audit recommendations to the Committee.

**AD/09-10/38 Report to Board on 2008/2009 Financial Statements**  
The Committee noted and approved the draft memorandum from the

Chairman to Board.

Action:

The memorandum to be finalised and forwarded to Board for consideration along with the audited 2008/2009 Funding Statements.

AD/09-10/39  
XXX

**Risk Management in College**

The Chairman welcomed the Vice-Provost/Chief Academic Officer and the Interim Chief Operating Officer to the meeting. Introducing the item, the Interim Chief Operating Officer drew the Committee's attention to his memorandum to the Committee dated 4 January 2010, the High Level Risk Register, and the "Interconnection of Risks" document, all of which had been circulated. Noting the important and independent role of the Audit Committee in monitoring the effectiveness of the risk management process in College, he also advised that the views of KPMG had been taken into account in finalising the Register.

The Interim Chief Operating Officer drew the Committee's attention, in particular, to the "Interconnections of Risk" document, a visual representation of the inter-relationships of the various risks identified. In presenting the document to the Committee, he advised that of the nine high risks illustrated, funding is probably the most important as it impacts on all others, particularly on Leadership and Planning and implementation of the College's Strategic Plan. This, in turn, may impact on the Quality of Teaching and Research leading to possible reputational issues for the College.

He advised the Committee that the process had been simplified, ensuring the risk template was now more user-friendly and that it is to become firmly embedded in the College's routine management procedures by clarifying risk ownership and by placing risk in the context of strategic objectives. He advised that the Register would be considered by Executive Officers as a call-over item on a quarterly basis.

It was further noted that the Risk Registers of academic and administrative units will also be considered by the relevant management group on a call-over basis. It was agreed to clarify this particular reporting process in the Risk Register template.

The Committee welcomed these developments and requested the Internal Auditor to liaise with the Interim Chief Operating Officer on how best to filter the updates to the Audit Committee and how best to reflect in summary form the state of progress on managing the risks and actions.

During a discussion on the high risks identified in the document, the Interim Chief Operating Officer advised the Committee that the risks were on the Executive Officers' agenda on a regular basis. In response to a query on e-strategy, he commented that he welcomed the comments of KPMG on this issue and that they were broadly consistent with College's approach to this important project.

In response to a query on the issue of inter-institutional joint ventures, especially those structured through incorporated bodies, about which the Committee has expressed strong concern in the past, the Interim Chief Operating Officer agreed to include this issue in the final version of the document.

The Committee welcomed the improvements and refinements to the Risk Register and the plans for ongoing monitoring of the risks as outlined by the Interim Chief Operating Officer, commenting that it was a very valuable tool in formulating the work plan of the Committee.

In a subsequent discussion, members expressed concern about the risks associated with the funding of the new Biosciences development and the risk that College could have to divert funds to service the loan. It was agreed that more information should be sought on the matter and that it be considered at the next meeting. Discussing the level of IT risks and the importance of e-strategy, members expressed concern at the number of acting positions in IS Services, including the post of Director, and decided to review the situation at its next meeting.

Actions:

- 39.1 The Interim Chief Operating Officer to liaise with the Internal Auditor on the inclusion of inter-institutional joint ventures in the final High Level Risk Register.
- 39.2 The Internal Auditor to draft a memorandum to Board outlining the Committee's response to the Risk Register.
- 39.3 The Interim Chief Operating Officer to liaise with the Internal Auditor on the format of a quarterly update to Audit Committee that would highlight progress in summary form.
- 39.4 The Internal Auditor to consider the audit work plan in the light of the Risk Register and to bring forward proposals to the next meeting of the Committee.
- 39.5 The funding of the Biosciences development to be considered at the next meeting.

**AD/09-10/40 Audit Tender**

The Chairman invited the Committee's attention to a memorandum from the Internal Auditor dated 5 January 2010 containing the draft Vendor Questionnaire and Tender document for the Committee's consideration. The Internal Auditor drew the proposed timetable to the Committee's attention advising that the process would be commenced shortly with a view to completion by June 2010.

The Committee discussed and confirmed the scoring and evaluation criteria as well as the composition of the Evaluation Panel, and made some minor amendments to documentation.

Action:

The Internal Auditor to finalise the Tender Questionnaire and Tender Documentation, subject to minor amendments and to initiate the Tender process as soon as possible.

**AD/09-10/41 Update on IT Security**

XXX

The Chairman invited the Committee's attention to a Report on IT Security dated January 2010, and welcomed Mr James, Assistant Internal Auditor, to the meeting. The Chairman invited Mr James to summarise the report and brief the Committee on its recommendations. Mr James advised the Committee that three major themes were dealt with in the Report's recommendations:

- There is a need to update the review of security as the PwC report was completed in 2005 and there have been many significant changes to the infrastructure in the meantime and that regular benchmarking against good practice and security standards should be put in place
- There should be planned recovery testing of live IT systems and issues regarding the Data Centre remain outstanding
- Although it is recognised that greater standardisation in systems and procedures across College is needed one department opted out of the policy and this poses an issue for College

The Committee supported the recommendations in the report and, in

particular, expressed strong concern that it was currently possible to opt out of a College policy, noting that this has serious implications for overall management of IT and other risks in College. Noting that, in particular, the IT projects being proposed under e-strategy would require much greater standardisation and opt-outs could not be tolerated, the Committee decided that these concerns would be brought to the attention of the Interim Chief Operating Officer along with the other recommendations in the report.

The Committee noted the otherwise significant progress that has been made since the 2005 report and the efforts of IS Services in satisfactorily addressing the many other recommendations that had been made in that report.

Action:

The concerns of the Committee and the recommendations in the report to be brought to the attention of the Interim Chief Operating Officer.

#### SECTION C - ITEMS FOR NOTING

- AD/09-10/42 Annual Report considered by Board**  
The Committee noted the final Audit Committee Annual Report, as considered by Board, which had been circulated.
- AD/09-10/43 Audit of 2008/2009 Funding Statements**  
The Committee noted the report from KPMG dated December 2009 on the Prompt Payment of Accounts.
- AD/09-10/44 Ghala Limited**  
The Committee noted the Financial Statements for Ghala Limited for the year ended 30 September 2009 and the letter of representation, dated 3 December 2009, which had already been approved by the directors.
- AD/09-10/45 Correspondence with C&AG**  
The Committee noted the letter to Ms M Mulligan of the C&AG dated 7 January 2010 which had been circulated. The Internal Auditor advised that the Office of the C&AG had responded, noting the documents submitted and in particular the KPMG report and stating that there were no additional issues to raise with the Committee at this point.
- AD/09-10/46 Current Developments and Practices in Audit**  
The Committee welcomed and noted the Audit Committee Institute document which had been circulated.
- AD/09-10/47 Board Papers**  
The Committee noted the Agenda and Minutes which had been circulated.